Before the FEDERAL COMMUNICATIONS COMMISSION Washington, DC 20554

In the Matter of)	
)	
Protecting the Privacy of Customers of)	WC Docket No. 16-106
Broadband and Other Telecommunications)	
Services)	

COMPETITIVE CARRIERS ASSOCIATION REPLY TO OPPOSITIONS TO PETITION FOR RECONSIDERATION

Pursuant to Section 1.429 of the Federal Communications Commission's ("FCC's" or "Commission's") Rules, Competitive Carriers Association ("CCA")¹ respectfully submits this Reply to Oppositions to CCA's Petition for Reconsideration (the "CCA Petition")² of the Privacy Report and Order in the above-captioned proceeding ("2016 Privacy Order" or "Order").³

CCA applauds the recent action taken by the Commission to alleviate Broadband Internet Service Providers ("BIAS Providers" or "ISPs") from investing substantial and potentially unnecessary resources towards compliance with the data security rules, and the same rationale underlying such actions applies to this proceeding.⁴ The record reflects strong support for

¹ CCA is the nation's leading association for competitive wireless providers and stakeholders across the United States. CCA's membership includes nearly 100 competitive wireless providers ranging from small, rural carriers serving fewer than 5,000 customers to regional and national providers serving millions of customers. CCA also represents approximately 200 associate members including vendors and suppliers that provide products and services throughout the mobile communications supply chain.

² See Pet. For Recons. Of CCA, at 14-18 (filed Jan. 3, 2017).

³ Protecting the Privacy of Customers of Broadband and Other Telecommunications Services, Report and Order, FCC 16-148 (rel. Nov. 2, 2016) ("2016 Privacy Order" or "Order").

⁴ See Protecting the Privacy of Customers of Broadband and Other Telecommunications Services, WC Docket 16-106, Order Granting Stay Petition in Part, FCC 17-19 (rel. Mar. 1, 2017) ("Privacy Stay Order"); see also Small Business Exemption From Open Internet Enhanced Transparency Requirements, GN Docket No. 14-28, Order, FCC 17-17 (rel. Mar. 2, 2017) ("Small Business Exemption Order").

eliminating the burdensome and anti-competitive rules adopted in the 2016 Privacy Order. As previously stated and as it appears is the plan,⁵ the Commission should align its privacy regime with the Federal Trade Commission's ("FTC") effective and well-regarded privacy rules.⁶ Reconsidering the 2016 Privacy Order will ensure consumers can expect uniform privacy practices, and will prevent edge providers from securing an undue competitive advantage over broadband providers in the Internet ecosystem. Further, reconsideration is particularly needed for CCA members since the 2016 Privacy Order is uniquely burdensome for small BIAS providers. Small providers were largely ignored in the related NPRM,⁷ and then, in the final Order, afforded very limited relief and defined too narrowly as providers serving 100,000 or fewer connections. Finally, reconsideration is consistent with recent actions taken by the Commission to protect competitive BIAS Providers from overly-expansive and burdensome regulations.⁸

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⁵ See Joint Statement Of FCC Chairman Ajit Pai And Acting FTC Chairman Maureen K. Ohlhausen On Protecting Americans' Online Privacy (rel. Mar. 1, 2017) (stating that "jurisdiction over broadband providers' privacy and data security practices should be returned to the FTC," and that "until that happens,…[the FCC and FTC] will work together on harmonizing the FCC's privacy rules for broadband providers with the FTC's standards for other companies in the digital economy").

⁶ As then-Commissioner Pai stated in 2016, "[w]ere it up to me, the FCC would have chosen a different path – one far less prescriptive and one consistent with two decades of privacy law and practice. The FCC should . . . restore[] the level playing field that once prevailed for all online actors using the FTC's framework." 2016 Privacy Order, Statement of Commissioner Ajit Pai.

⁷ See Protecting the Privacy of Customers of Broadband and Other Telecommunications Services, Notice of Proposed Rulemaking, Docket No. 16-106, FCC 16-39 (rel. Apr. 1, 2016).

⁸ CCA applauds the Commission for staying the data security provisions of the 2016 Privacy Order; this action provided valuable certainty and relief to broadband providers that would have otherwise been forced to invest substantial and potentially unnecessary resources to comply with the data security rules. *See* Privacy Stay Order.

I. THE RECORD REFLECTS STRONG SUPPORT FOR RECONSIDERATION OF THE 2016 PRIVACY ORDER

Comments submitted in response to the Petitions for Reconsideration largely oppose the final privacy rules adopted in the 2016 Privacy Order and support vacating the Order or, in the alternative, harmonizing the FCC's privacy regime with that of the FTC. Commenters recognize that the FCC's approach is unnecessary, chills innovation, harms competition, and furthers a regulatory digital divide between edge and telecommunications providers that the FCC's approach is unnecessary, and telecommunications providers that will be actively harmful to continued broadband development.

Oppositions, on the other hand, focus on arguments that deny the reality of the broadband marketplace and either minimize or ignore the FCC's continued authority to regulate privacy activities under Section 222 of the Communications Act ("Section 222").¹⁵ For instance, Opposition parties expressed concern that if the FCC decides to "repeal[], weaken[], or dismantle[] the rule, consumers will not have the privacy protections they desire and need"

⁹ See, e.g., Comments of Information Technology and Innovation Foundation ("ITIF") in Supp. of Pet.'s for Recons. at 7 (filed Mar. 6, 2017); Comments of the Internet Commerce Coalition at 1 (filed Mar. 6, 2017); Letter from William L. Kovacs, Senior VP, Environment, Technology & Regulatory Affairs, U.S. Chamber of Commerce, to Marlene H. Dortch, Secretary, FCC, at 1 (Mar. 6, 2017) ("Chamber of Commerce Comments"); Comments of FreedomWorks Foundation on Pet.'s for Recons. at 1-2 (filed Mar. 6, 2017); Comments of Citizens Against Gov't Waste in Supp. of Pet.'s for Recons. at 2 (filed Mar. 6, 2017); Comments of Institute for Policy Innovation ("IPI") Supporting the Pet.'s for Recons. at 3 (filed Mar. 6, 2017); Comments of Discovery Institute at 1 (filed Mar. 6, 2017); see generally Letter from Grover G. Norquist, President, Americans for Tax Reform, to FCC (filed Mar. 6, 2017); Comments of the Taxpayers Protection Alliance in Supp. Of the Pet.'s for Recons. (filed Mar. 6, 2017); Comments of Consumer Policy Solutions (filed Mar. 6, 2017); Comments of Tech Knowledge in Supp. of Pet.'s for Recons. (filed Mar. 6, 2017).

¹⁰ Chamber of Commerce Comments at 1.

¹¹ *Id.* at 1; ITIF Comments at 2; Internet Commerce Coalition Comments, at 3.

¹² Internet Commerce Coalition Comments at 3; Chamber of Commerce Comments at 1.

¹³ Chamber of Commerce Comments at 1

¹⁴ IPI Comments at 1.

¹⁵ See 47 U.S.C. § 222.

because without the 2016 Privacy Order, BIAS providers do not have an incentive to protect consumers' privacy. ¹⁶ This is not accurate; as the record indicates, broadband providers already provide consumers with ways to protect their information, ¹⁷ and understand consumer trust is a significant competitive concern. ¹⁸ Even if the Order is vacated entirely, the FCC has clearly stated its intentions to regulate privacy activities within the scope of Section 222. ¹⁹ The Commission recently asserted this intention in the Privacy Stay Order. ²⁰

In addition, the Opposition parties reiterate the argument that BIAS providers have "gateway" access to personal consumer information, and therefore should be treated differently

¹⁶ Consumers Union & Consumer Federation of America Opp'n at 4 (filed Mar. 6, 2017).

¹⁷ See, e.g., ITIF Comments at 4 (noting "all major BIAS providers already offer consumers the ability to opt-out of existing targeted advertising programs"). In addition, a number of BIAS Providers and associations have signed a voluntary set of privacy and data security principles in line with the FTCs framework. See Joint Petition of American Cable Association et al. for Stay, WC Docket No. 16-106, Appx. A (filed Jan. 27, 2017).

¹⁸ See, e.g., Petition for Reconsideration of American Cable Association at 15 (filed Jan. 3, 2017); see also Comments of T-Mobile at 9-10 (filed May 26, 2016).

¹⁹ Privacy Stay Order ¶ 17, 20. Moreover, a 2015 Enforcement Advisory reflects the FCC's understanding that Section 222, as a result of the 2015 Open Internet Order, applies to both broadband and traditional telephone services. Indeed, this advisory makes it clear that the Enforcement Bureau intends to "enforce Section 222 in connection with BIAS during the time between the effective date of the Open Internet Order and any subsequent Commission action…applying Section 222…to BIAS." Open Internet Privacy Standard *Enforcement Bureau Guidance: Broadband Providers Should Take Reasonable, Good Faith Steps to Protect Consumer Privacy*, FCC Enforcement Advisory No. 2015-03, DA 15-603, at 1-2 (rel. May 20, 2015); *see Protecting and Promoting the Open Internet*, GN Docket No. 14-28, Report and Order on Remand, Declaratory Ruling, Order, FCC 15-24, 2015 WL 1120110, ¶¶ 463-64 (2015) ("2015 Open Internet Order").

²⁰ The Privacy Stay Order explains: "While BIAS providers have not been subject to specific implementing rules for nearly two years now, they have been obligated to comply with Section 222 of the Communications Act of 1934, as amended; the Commission's interim guidance; and other applicable federal and state privacy, data security, and breach notification laws." Privacy Stay Order ¶ 17.

than edge providers,²¹ a myth that was thoroughly dismantled in the record. Chairman Pai emphasized this point in his Dissenting Statement to the 2016 Privacy Order:

Now, today's *Order* tries to justify this new and complex approach by arguing that ISPs and edge providers see vastly different amounts of your online data. It recounts what it says is a vast sea of data that ISPs obtain. It then says that "By contrast, edge providers only see a slice of any given consumers Internet traffic." A "slice." Really? The era of Big Data is here. The volume and extent of personal data that edge providers collect on a daily basis is staggering. But because the *Order* wants to treat ISPs differently from edge providers, it asserts that the latter only sees a "slice" of consumers' online data. This is not data-driven decision-making, but corporate favoritism.²²

CCA agrees; the 2016 Privacy Order is not "sound policy."²³ The 2016 Privacy Order "fail[ed] to adequately justify the rules, including why it [took] a different approach from the FTC in several key respects, leaving ISPs with substantially greater burdens than other Internet companies."²⁴ A diverse group small businesses recently filed a letter in the privacy docket stating outright that the market for digital advertising "is desperate for more competition, yet the FCC's Privacy Order...by enhancing the already powerful digital ad monopolies," and this creates a harmful environment in which small businesses eager to advertise "have no choice but to accept whatever terms and prices are imposed upon them."²⁵ Reconsideration is the appropriate vehicle to address this issue to the benefit of consumers and small businesses.

²¹ See, e.g., Consumers Union & Consumer Federation of America Opp'n at 3; Opp'n to Pet.'s for Recons. By New America's Open Technology Institute at 6 (filed Mar. 6, 2017); see also Opp'n to Pet.'s for Recons. of Free Press at 10 (filed Mar. 6, 2017).

²² 2016 Privacy Order, Statement of Commissioner Ajit Pai (citations omitted).

²³ Cf. Free Press Opp'n at 9.

²⁴ 2016 Privacy Order, Statement of Commissioner Michael O'Rielly.

²⁵ Letter from the US Hispanic Chamber of Commerce, the US Black Chambers, the National Gay & Lesbian Chamber of Commerce, and the Asian & Pacific Islander American Chamber of Commerce & Entrepreneurship to Members of the U.S. Senate and House of Representatives, 2 (filed in WC Docket No. 16-106, Mar. 8, 2017) ("Chambers' Letter to Congress").

Additionally, the Opposition parties did not successfully explain how consumers will benefit from the 2016 Privacy Order. The record, along with statements by both Chairman Pai and Commissioner O'Rielly, have recognized the adverse impact that the "patchwork of inconsistent privacy rules for different Internet companies," would have on BIAS providers²⁶ as well as the significant confusion it would create for consumers.²⁷ This is most evident with respect to the FCC's proposed sensitivity regime, which created different definitions of sensitive information for BIAS Providers and edge providers. Having two existing regimes could easily result in a consumer electing not to share information under the FCC regime, but then "continu[ing] to see advertisements based on their web browsing and application usage [because] the ads originate from third parties not subject to FCC rules."²⁸ This confusion is not in the public interest.

Despite one Opposition arguing that Petitioners' alleged harms were "exaggerated," 29 many if not most of the commenters on the record agree with CCA that the FCC must reconsider the consequences of the overly-expansive interpretation of sensitive data, specifically that it would "draw resources away from protecting data that truly merits enhanced protection, such as financial information." 30 Accordingly, the FCC should reconsider the 2016 Privacy Order as a

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²⁶ Chairman Pai has expressed his belief that the rules should have "paralleled the FTC's framework as closely as possible" to avoid "unique rules on ISPs that do not apply to all online actors that collect and use consumer data." 2016 Privacy Order, Statement of Commissioner Ajit Pai. Commissioner O'Rielly also explained that the "FCC usurped part of the FTC's role in overseeing broadband privacy." 2016 Privacy Order, Statement of Commissioner Michael O'Rielly.

²⁷ See Chambers' Letter to Congress at 1 (noting that it would only make it "more difficult for people to understand how their data is collected and used online").

²⁸ 2016 Privacy Order, Statement of Commissioner Michael O'Rielly.

²⁹ New America's Open Technology Institute Opp'n.

³⁰ For instance, this regime would force BIAS Providers to dedicate resources to "provide unnecessarily high levels of protection for consumer data that are not sensitive" such as weather updates. Internet Commerce Coalition Comments at 3.

whole and vacate the rules adopted therein. In the alternative, CCA supports the FCC taking action to scale back the rules and aligning them with the current FTC rules to "create a technology neutral level playing field approach to privacy that ensures consistency for the commercial use of consumer data."³¹

II. THE 2016 PRIVACY ORDER IS PARTICULARLY BURDENSOME ON COMPETITIVE CARRIERS

Given that the FCC may regulate privacy without the Order and BIAS providers do not have a singularly comprehensive view of consumer information justifying a uniquely stringent regime, the 2016 Privacy Order is even more suspect for its deleterious effect on small providers. The Oppositions filed in response to the Petitions for Reconsideration fail to address the specific concerns of small and competitive carriers.³² To the extent the rules are maintained, the Commission must recognize that the 2016 Privacy Order will result in regulations that are particularly burdensome and resource-intensive for competitive carriers, potentially prohibiting those carriers from focusing on what they do best: serving their customers.³³

³¹ Citizens Against Gov't Waste Comments at 2.

³² See generally Public Knowledge, Center for Digital Democracy, and Benton Foundation's Opp'n to Pet.'s for Recons. (filed Mar. 6, 2017); Free Press Opp'n (filed Mar. 6, 2017); New America's Open Technology Institute Opp'n (filed Mar. 6, 2017); Opp'n to Pet.'s for Recons. by Public Interest Commenters (filed Mar. 6, 2017); Opp'n of the Center for Democracy & Technology to Pet.'s for Recons. (filed Mar. 6, 2017). To the extent Oppositions argue that the Petitions for Reconsideration fail on a procedural basis due to the lack of new facts or arguments, such arguments must be rejected. The Commission recently clarified that the FCC "rules simply permit the dismissal of a petition that relies 'on arguments that have been fully considered and rejected by the Commission within the same proceeding.' The rules do not *require* such a dismissal or denial." Privacy Stay Order ¶ 11, *citing* 47 C.F.R. § 1.429(1)(3). In addition, as the Commission points out, "the Commission as it is currently constituted has not considered and rejected any arguments" raised in the Petitions for Reconsideration. *Id.*

³³ The Commission should be taking actions to promote innovation, not enforcing rules that instead require enormous amounts of time and resources to be spent on issues that do not actually protect consumer interests. These resources would be better focused on other areas such as "core infrastructure improvements, preparation for the deployment of fifth generation (5G) technological innovations, and improvements to customer service." Citizens Against Gov't Waste Comments at 2.

The Commission has already recognized, at least in part, by staying the Order's data security rules, that the 2016 Privacy Order harms small providers by imposing additional financial strain and leading to diverted resources, without any residual consumer benefit. In the Privacy Stay Order, the Commission recognized that small providers, unlike most larger carriers, "must hire additional employees or procure the services of third parties to manage the transition to new rules." This would require companies "to incur additional costs and allocate significant resources toward implementing" these burdensome requirements. There is no justification for these increased requirements from a consumer standpoint because the rules offer no meaningful benefit beyond the privacy regime that previously and will continue to protect consumers. Further, these resources "could be better spent developing new offerings, upgrading networks, or improving security (and, relatedly, because the rule's implementation would create a bifurcated privacy regime contrary to consumers' uniform expectation of online privacy." The same concerns that motivated the Privacy Stay Order apply to the privacy rules, especially the resource-intensive data breach rules.

The very limited small provider "protections" described in the Order do not address these potential harms, a point Opposition filings did not address. Since most if not all small providers do not collect consumer data outside what is necessary to provide service, the one-year compliance deadline extension afforded to small providers to implement the Order's notice and choice provisions is not particularly helpful.³⁷ In the Small Business Exemption Order, the Commission rightly expanded the definition of small provider from 100,000 to 250,000,

³⁴ Privacy Stay Order ¶ 14.

 $^{^{35}}$ *Id.* ¶ 11.

³⁶ *Id*. ¶ 14.

³⁷ 2016 Privacy Order ¶ 320.

recognizing that this size is consistent with small business exemptions enacted by Congress and more accurately represents the carrier size that may have a difficult time implementing regulations designed for the largest broadband providers.³⁸ The Commission granted these small providers an exemption from the enhanced transparency rules in large part to prevent "potentially unnecessary compliance costs for smaller providers."³⁹

Last, reconsideration would "provide the Commission with an opportunity to revisit the costs and benefits associated with those requirements," which will certainly show a disproportionate impact on smaller carriers. ⁴⁰ The record in this proceeding emphasizes the need for a proper cost/benefit analysis of the privacy rules. ⁴¹ As commenters highlight, "[t]he lack of a cost/benefit analysis before the Privacy Order was approved demonstrates a serious flaw in the regulatory process at the FCC . . . without an economic analysis, it is difficult to weigh the true cost of regulation on providers of services and consumers." ⁴² CCA has yet to hear a rebuttal to the Small Business Administration's letter explaining that the FCC did not comply with its obligations under the Regulatory Flexibility Act ("RFA"), which requires a detailed examination of how the proposed rules may impact small providers. ⁴³ By conducting cost-benefit analyses

³⁸ Privacy Stay Order ¶ 7.

³⁹ *Id*. ¶ 8.

 $^{^{40}}$ Small Business Exemption Order \P 6.

⁴¹ See, e.g., FreedomWorks Comments at 1-2; Citizens Against Gov't Waste Comments at 2. See also Commissioner Michael O'Rielly, Taking Stock of FCC Paperwork Burdens, FCC BLOG (Mar. 3, 2017, 4:15 PM), https://www.fcc.gov/news-events/blog/2017/03/03/taking-stock-fcc-paperwork-burdens (recognizing that several recent items "lack[] solid information on most burdens due to the absence of cost-benefit analyses.").

⁴² Citizens Against Gov't Waste Comments at 2.

⁴³ See 5 U.S.C. §§ 601-12; see also CCA Petition at 16, citing Ex Parte Letter from Darryl L. DePriest, Chief Counsel for Advocacy, SBA Office of Advocacy, and Jamie Belcore Saloom, Assistant Chief Counsel, SBA Office of Advocacy, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 16-106 at 2, 4 (filed June 27, 2016); see also Letter from Steve Chabot, Chairman, U.S.

and engaging in review per the RFA, the FCC would better ensure that small providers would be "spend[ing] their limited capital building out better broadband to rural America – not hiring lawyers and accountants to fill out unnecessary paperwork demanded by Washington, DC."⁴⁴

III. CONCLUSION

The Commission should build on recent efforts to foster competition and equity in the mobile ecosystem, and better protect competitive carriers' limited resources in recognition of the vital role these carriers play in the wireless ecosystem. If the Commission does not vacate the 2016 Privacy Order entirely or align its provisions with the FTC framework, then the Commission should at minimum reconsider and expand the relief provided to small providers.

Respectfully submitted,

/s/ Rebecca Murphy Thompson
Steven K. Berry
Rebecca Murphy Thompson
Elizabeth Barket
COMPETITIVE CARRIERS ASSOCIATION
805 15th Street NW, Suite 401
Washington, DC 20005

March 16, 2017

House of Representatives Committee on Small Business, and Nydia Velazquez, Ranking Member, U.S. House of Representatives Committee on Small Business, to Hon. Tom Wheeler, Chairman, FCC (Aug. 25, 2016) (decrying the Commission's failure to comply with the RFA).

⁴⁴ Small Business Exemption Order, Statement of Chairman Ajit Pai.

 $^{^{45}}$ Recognizing that small providers "serve as vital sources of broadband throughout the country." Small Business Exemption Order \P 6

CERTIFICATE OF SERVICE

I, Elizabeth Barket, hereby certify that on this 16th day of March 2017, I caused a true and correct copy of the foregoing "Reply to Oppositions to Petition for Reconsideration" to be served on the following via first-class postage prepaid mail:

Grover G. Norquist President Americans for Tax Reform 722 12th Street, N.W. Fourth Floor Washington, DC 20005

Chiling Tong
President and CEO
Asian & Pacific Islander American Chamber
of Commerce & Entrepreneurship
2025 M Street NW, Suite 610
Washington, D.C. 20036

Amina N. Fazlullah Director of Policy Benton Foundation 1875 K Street NW, Suite 400 Washington DC 20006

Natasha Duarte Chris Calabrese Michelle De Mooy Center for Democracy & Technology 1401 K St. NW, Suite 200 Washington, D.C. 20005

Katharina Kopp, Ph.D.
Deputy Director, Director of Policy
Center for Digital Democracy
1875 K Street NW, 4th Floor
Washington, DC 20036

William L. Kovacs Senior Vice President Environment, Technology & Regulatory Affairs Chamber of Commerce of the United States of America 1615 H Street, NW Washington, DC 20062

Thomas Shatz President Citizens Against Government Waste 1100 Connecticut Ave, NW Suite 650 Washington, DC 20036

Susan Grant
Director of Consumer Protection and
Privacy
Consumer Federation of America
1620 I Street NW, Suite 200
Washington, DC 20006

Debra Berlyn President Consumer Policy Solutions 7207 Summit Avenue Chevy Chase, MD 20185

Katie McInnis Staff Attorney Consumers Union 1101 17th Street, NW Washington DC 20036 Hance Haney Senior Fellow Discovery Institute 3213 Duke St. No. 812 Alexandria, VA 22314

Gaurav Laroia, Policy Counsel Matthew F. Wood, Policy Director Free Press 1025 Connecticut Avenue, N.W. Suite 1110 Washington, D.C. 20036

Wayne T. Brough, Ph.D. Chief Economist and VP for Research FreedomWorks Foundation 400 N. Capitol Street, NW Suite 765 Washington, DC 20001

Doug Brake Senior Analyst, Telecommunications Policy Information Technology and Innovation Foundation 1101 K Street NW, Suite 610 Washington, DC 20005

Thomas A. Giovanetti President Institute for Policy Innovation 1320 Greenway Drive Suite 820 Irving, Texas 75038

Sydney M. White

Jim Halpert
DLA Piper LLP (US)
500 8th Street, NW
Washington, D.C. 20004
Counsel to the Internet Commerce Coalition

Justin Nelson President and Co-Founder National Gay & Lesbian Chamber of Commerce 729 15th Street, NW, 9th Floor Washington, DC 20005

Eric Null New America's Open Technology Institute 740 15th St NW, Suite 900 Washington, DC 20005

Angela J. Campbell
Chris Laughlin
Institute for Public Representation
Georgetown University Law Center
600 New Jersey Avenue, NW
Washington, DC 20001
Counsel for New America's Open
Technology Institute

Dallas Harris Policy Fellow Public Knowledge 1818 N Street NW, Suite 410 Washington, DC 20036

David Williams Taxpayers Protection Alliance 1401 K Street, NW Suite 502 Washington, DC 20005

Fred B. Campbell, Jr. Director Tech Knowledge 14925 Doe Ridge Road Haymarket, VA 20169

Ron Busby President and CEO U.S. Black Chambers, Inc. 1050 17th Street, NW Suite 810 Washington, DC 20036 Javier Palomarez President and CEO United States Hispanic Chamber of Commerce 1424 K Street, NW Suite 401 Washington, DC 20005

Elizabeth Barket